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Chairman: Mr. Yousfi ..... (Algeria)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Saha

Contents

Agenda item 119: Improving the financial situation of the United Nations (*continued*)

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The meeting was called to order at 10.10 a.m.

Agenda item 119: Improving the financial situation of the United Nations (*continued*) (A/61/556/Add.1)

1. **The Chairman**, recalling that the Under-Secretary-General for Management had briefed the Committee on the current financial situation of the Organization at its 50th meeting, held on 18 May 2007, said that her statement had been issued as a report of the Secretary-General under the symbol A/61/556/Add.1.

2. **Mr. Thomma** (Germany), speaking on behalf of the European Union; the candidate countries Croatia and Turkey; the stabilization and association process countries Albania, Montenegro and Serbia; and, in addition, Iceland, Liechtenstein, Moldova and Ukraine, said that the European Union wished to underscore that each individual Member State was responsible for paying its assessed contributions in full, on time and without conditions.

3. While the Organization's financial situation in 2006 had been generally better than in 2005, there were reasons for concern. First, the situation of the regular budget was uncertain. Although 139 Member States, including all 27 members of the European Union, had paid their regular budget assessments in full by the end of 2006, 53 Member States owed a total of $361 million, with over 90 per cent of that sum owed by only three of them. Second, the peacekeeping arrears of almost $1.9 billion as at the end of 2006 affected peacekeeping operations negatively, and the Organization owed $1 billion to troop-contributing countries as at the end of 2006.

4. The Organization needed to receive full and timely payments in order to plan and execute the budgets approved by the General Assembly, yet it found itself in a vicious cycle year after year. Unless Member States' payment patterns changed, peacekeeping operations would suffer and troop-contributing countries would continue to face delayed reimbursements. The European Union considered that the retention of funds in the accounts of closed peacekeeping missions owing to late payment or non-payment of assessed contributions by certain Member States was unacceptable.

5. The European Union was aware that peacekeeping assessments were issued separately for each operation and at different periods throughout the year, and recalled that the Under-Secretary-General for Management, at the Committee's 50th meeting, had referred to the unpredictable nature of the demand for peacekeeping activities. However, some Member States had led by example, by remaining up to date with their contributions for peacekeeping operations.

6. The capital master plan, which the Committee had been discussing since 2000, was extremely important. As the decision-making process had been protracted, with the strategy for the plan adopted in June 2006 and the budget of $1.9 billion adopted in December 2006, the European Union trusted that the project would be implemented in a timely manner and in accordance with the decisions of the General Assembly. The European Union expected all Member States to pay their assessed contributions to finance the project, and appreciated the fact that 168 of them had thus far made payments totalling $331 million.

7. The European Union believed that the Organization could not perform its ever-increasing and challenging tasks unless all Member States honoured their commitment to pay assessed contributions in full, on time and without conditions. As the European Union paid a share of about 40 per cent of all assessed contributions to the Organization, it expected the Secretariat to show the same commitment to using Member States' resources in the most accountable, efficient and effective manner.

8. **Mr. Hussain** (Pakistan), speaking on behalf of the Group of 77 and China, emphasized that payment of assessed contributions in full, on time and without conditions was an obligation under the Charter of the United Nations and a shared responsibility of all Member States. Such payment was a prerequisite for the smooth functioning of the Organization and the implementation of all of its mandates.

9. While the Group was encouraged that the Secretary-General had reported an improvement in the Organization's financial position in 2006, it was concerned to note that the position of the regular budget had been weaker in mid-May 2007 than at the same time in 2006, and that unpaid assessed contributions on 31 December 2006, at $361 million, had been $28 million higher than one year previously. The Group welcomed the improvement in the financial position of peacekeeping operations. However, it would like the Secretariat to clarify the impact of the

current cash balance on peacekeeping mandates up to the end of 2007.

10. Noting the negative implications of late payment and non-payment of dues for some peacekeeping operations, the Group emphasized that Member States must endeavour to pay assessments in full and on time, as the implementation of peacekeeping mandates was a matter of urgency, peacekeeping operations faced challenges on the ground, and peacekeeping was an inherently unpredictable activity.

11. The Organization owed $1 billion to countries contributing troops and police and contingent-owned equipment.. That was a matter of deep concern to the Group, as peacekeepers deserved appreciation for their work in often trying circumstances. The Organization must treat full reimbursement to the countries concerned as a financial priority. The Secretary-General and Member States should finalize the relevant memorandums of understanding.

12. The Group welcomed the increase in the number of Member States which had paid their contributions to the international tribunals in 2006, and hoped that that positive trend would continue in 2007, enabling the tribunals to complete their noble mandate in what were difficult circumstances. The Group welcomed the update on the financial situation of the capital master plan, but would also like an update on the progress of its implementation. It hoped that the current trend of payments would continue and that the project would be implemented with no further delays and in accordance with the decisions of the General Assembly.

13. The Group remained committed to strengthening the United Nations and enabling it to implement its mandates as effectively and efficiently as possible. It reiterated its undertaking to meet financial obligations in full, on time and without conditions, and sympathized with those Member States which had been unable to do so because of social and economic conditions beyond their control. It urged all Member States, in particular the major contributor, to recommit themselves to fulfilling their obligations under the Charter.

14. **Ms. Soni** (Canada), speaking also on behalf of Australia and New Zealand, recalled that the Committee was briefed twice every year on the financial situation of the Organization and that twice every year the delegations of Australia, Canada and New Zealand called on all Member States to fulfil their obligation under the Charter to pay their assessed contributions in full, on time and without conditions. That call had had little effect, and amounts owed to the Organization by its own Members continued to increase. The situation was unacceptable. While Australia, Canada and New Zealand understood that Governments might have difficulty fulfilling each and every domestic and international financial obligation, their own Governments faced similar challenges. Perhaps the Committee should do more to ease such financial burdens by exercising budgetary discipline and prioritization and by eliminating duplication within the Organization.

15. **Mr. Fermín** (Dominican Republic), speaking on behalf of the Rio Group, said that, while the improvement in the Organization's financial indicators in 2006 compared to 2005 was welcome, the situation remained precarious, necessitating recourse to cross-borrowing in order to enable peacekeeping operations and the activities of the international tribunals to continue. His Group understood that the financial health of the Organization was essential to the fulfilment of its mandates. Rio Group members therefore made strenuous efforts to pay on time. However, in some cases, domestic budget problems and urgent needs, including poverty alleviation and humanitarian emergencies had led to delayed payment. In other cases, States had made payments on time at the cost of some sacrifice.

16. Rising arrears in reimbursements to contributors of troops and contingent-owned equipment were a matter of concern. It was therefore important for payments to troop-contributing countries to proceed so that those countries' contingents could continue to take part in peacekeeping operations and fulfil the mandates established. The Group hoped that the positive pattern of contributions to the budgets of the international tribunals in 2006 would continue, welcomed the information which the Under-Secretary-General for Management had provided on the financial situation of the capital master plan, and encouraged Member States to lend their support to ensure that the plan was implemented without delay and in accordance with the decisions of the General Assembly.

17. **Mr. Choi** Hong-ghi (Republic of Korea) said that his delegation was pleased to note that the tendency of Member States to pay their assessments within the year in which they were due had continued in 2006, making the cash resources available as at 16 May 2007 higher

than at the end of 2006, and indicating that more Member States were joining in the noble and worthwhile endeavour of making the Organization financially stronger and healthier.

18. However, it expressed concern that the total unpaid contributions to the peacekeeping budgets had reached over $1.8 billion by the end of 2006. The chronic problem of arrears could undermine or even jeopardize peacekeeping operations because of restrictions on borrowing from other active peacekeeping missions and on using the Peacekeeping Reserve Fund. Furthermore, as the Organization's debt to Member States was projected to amount to $589 million by the end of 2007, the financing problem threatened to become a vicious cycle. If Member States were to commit substantial resources to the Organization as needs arose, they must be confident of timely reimbursement.

19. As the Government of the Republic of Korea was fully committed to human rights and the prosecution of international crimes against humanity, it had noted with concern the serious deterioration in the financial position of the international tribunals, with outstanding contributions reaching $51 million at the end of 2006, compared with $25 million at the end of the previous year. With regard to the capital master plan, it was disappointed to learn from the Secretariat that only 48 Member States had paid their assessed contributions in full by the deadline of 7 May 2007 and that 24 Member States had made no payments at all. His delegation urged Member States with outstanding commitments to the international tribunals or the capital master plan to fulfil their financial obligations at the earliest possible date. Having paid all its assessed contributions for the regular budget, peacekeeping operations, the international tribunals and the capital master plan that had been due and payable on 16 May 2007, the Republic of Korea was mindful of the task of regularizing the financial situation of the United Nations, and would continue to play its part in making the Organization financially healthy and fully sustainable.

20. **Mr. Afifi** (Egypt) said that his delegation looked forward to the convening, at the current session, of a meeting devoted specifically to developments in the implementation of the capital master plan.

21. As the General Assembly, in its resolution 61/251, had established special arrangements for the financing of the capital master plan in order to ensure that implementation would not be delayed and that costs would not increase, his delegation looked forward to receiving further details on the contributions received and on the prospects of starting the implementation phase. Having heard nothing more substantive than rumours about the progress of the capital master plan, it was confident that the Secretariat would present a progress report in accordance with the relevant resolution of the General Assembly. Member States, particularly those which had paid their contributions by the established deadline, expected and deserved clear and timely information, despite the short time remaining to the Committee at the second part of the resumed sixty-first session.

22. **Mr. Berti Oliva** (Cuba) said that, despite the slight improvement described by the Under-Secretary-General for Management at the Committee's 50th meeting, the Organization's financial situation remained alarming. Heavy dependence on the receipt of contributions from a small group of Member States caused uncertainty and unpredictability. In the previous two years, the 2005 World Summit Outcome had been referred to frequently in connection with the reform of the Organization, yet a key portion of it — paragraph 161, subparagraph (e) — in which the Member States undertook to provide the Organization with adequate resources in a timely manner and taking into account its mandates, priorities and objectives, as well as the need for budgetary discipline, was never mentioned.

23. The data provided by the Under-Secretary-General for Management showed that the Organization's major contributor had failed to fulfil the undertakings in that paragraph. As at the end of December 2006, it had accounted for 80.6 per cent of the arrears in payments to the regular budget, 35.8 per cent of the arrears in payments to peacekeeping operations and 72.5 per cent of the arrears in payments to the international tribunals. That situation was worse than it had been one year previously. In September 2000, the United States of America had accounted for 81 per cent of the arrears to the regular budget. Seven years later, the situation was much the same. It was unacceptable for that Member State, which had an assessment ceiling of 22 per cent, well below its capacity to pay, to fail to honour its financial commitments to the Organization.

24. Cuba was genuinely committed to the Organization. In March 2007, it had made a full

payment of its capital master plan assessment and a partial payment of its regular budget assessment; the latter would shortly be paid in full. Those payments had been made despite the unfavourable economic situation and financial constraints caused by the strengthening of the 40-year-old United States embargo on the country. As Cuba was prevented from using the United States dollar for international transactions, including the payment of assessments to international organizations, it was constantly exposed to currency fluctuations, and its capacity to pay suffered. Moreover, it was forced to pay United Nations assessments through a third country.

25. The new regulations adopted in early 2006 by the United States Treasury Office of Foreign Assets Control to intensify its pursuit of Cuban assets prevented the country from making direct payments to many international organizations in Geneva, as the dollar-denominated and Swiss franc-denominated current account services which the Union Bank of Switzerland (UBS) had provided for the Cuban banking system had been withdrawn for fear of additional sanctions. One consequence was that, in the first half of 2006, Cuba had been unable to pay contributions to two Geneva-based organizations: the International Telecommunication Union (ITU) and the World Meteorological Organization (WMO), because both organizations held accounts with UBS, which had refused to accept international transfers from Cuba.

26. The same fate had befallen Cuba's payments for meetings relating to the Convention on Certain Conventional Weapons, the Biological Weapons Convention and the Ottawa Convention on anti-personnel mines. As the letter informing it of its arrears had provided the option of paying into the Organization's accounts in Geneva or New York, Cuba had attempted to pay through the Organization's account in New York, only to have its transfer refused. According to the information given to the Canadian bank which Cuba had requested to handle the transfer, the United States would not accept payments originating in Cuba.

27. The situation just described was a further example of the Bush administration's neglect and contempt of the United Nations. It had no qualms about undermining the Organization as long as it was able to maintain its criminal embargo against Cuba. That practice was also a blatant violation of the Convention on the Privileges and Immunities of the United Nations, of the United States Government's obligation not to hinder the operation of the Organization and of the principle of non-discrimination and equality of States' rights.

28. His delegation was disappointed at the late submission of the report of the Secretary-General on improving the financial situation of the United Nations (A/61/556), as it deserved to be debated carefully and thoroughly in informal consultations and to be properly reflected in a draft resolution. Cuba wished to reiterate its willingness to meet its financial obligations in full, on time and without conditions and its belief that compliance with the legal obligation to finance the Organization was one of the many ways in which Member States could demonstrate their political support for the United Nations.

The meeting rose at 10.55 a.m.